

# REGULATORY AGENCY ACTION



## STATE & CONSUMER SERVICES AGENCY (Department of Consumer Affairs)

### BOARD OF ACCOUNTANCY

Executive Officer: Carol Sigmann  
(916) 920-7121

The Board of Accountancy (BOA) licenses, regulates, and disciplines certified public accountants (CPAs). The Board also regulates and disciplines existing members of an additional classification of licensees, public accountants (PAs); the PA license was granted only during a short period after World War II. BOA currently regulates over 50,000 licensees. The Board establishes and maintains standards of qualification and conduct within the accounting profession, primarily through its power to license. The Board's enabling act is found at section 5000 *et seq.* of the Business and Professions Code; the Board's regulations appear in Title 16, Division 1 of the California Code of Regulations (CCR).

The Board consists of twelve members: eight BOA licensees (six CPAs and two PAs), and four public members. Each Board member serves a four-year term and receives no compensation other than expenses incurred for Board activities.

The Board's staff administers and processes the nationally standardized CPA examination, a four-part exam encompassing the categories of Audit, Law, Theory, and combined sections Practice I and II. Applicants must successfully complete all four parts of the exam and 500 hours of qualifying auditing work experience in order to be licensed. Approximately 20,000 examination applications are processed each year. Under certain circumstances, an applicant may repeat only the failed sections of the exam rather than the entire exam. BOA receives approximately 4,000 applications for licensure per year.

The current Board officers are President Ira Landis, Vice President Janice Wilson, and Secretary/Treasurer Jeffery Martin.

### MAJOR PROJECTS:

**Board Announces 1991-92 Budget.** At BOA's August 1-3 meeting in San Diego, its Budget Advisory Committee announced that projected revenue for the 1991-92 fiscal year is \$8.7 million, not

including monies derived from disciplinary actions. Because projected expenditures total only \$7.1 million, the Committee drafted several budget change proposals (BCPs) which would bring the Board's spending level up to the anticipated revenue level. The BCPs would provide funding for the Major Case Program at four major cases per year; staffing for BOA's citation and fine program; adequate staffing of the Continuing Competency Unit; implementation of AB 965 (Alpert) relating to the Clearinghouse for Volunteer Accounting Services (*see infra* LEGISLATION); and Board office space rental and equipment. The Board agreed to pursue these proposals except that it rejected a plan to create a staff legal counsel position for the Major Case Program.

**Qualification Committee Procedure Manual Adopted.** Under Business and Professions Code section 5023, the Board has the authority to delegate to its Qualification Committee (QC) the power to examine all applicants for the certificate of certified public accountant and make recommendations to the Board as to the acceptability of each applicant. The QC has been performing this function for many years and has developed many practices and procedures it uses to evaluate applicants to ensure that they satisfy all statutory requirements. At its September 27-28 meeting, the Board adopted a comprehensive procedure manual to be used by the QC in performing its duties. The development and use of this manual is meant to provide an easy reference for evaluators and others having questions about the process and to standardize evaluation procedures.

**Proposed Regulations.** On September 23, the Office of Administrative Law approved the following changes to the Board's regulations:

- an amendment to section 5.1 to comply with the Permit Reform Act of 1981 (Government Code section 15374 *et seq.*);

- an amendment to section 11.5 to require applicants whose accounting experience is obtained outside the United States and its territories to appear before the Qualifications Committee (QC) and

present work papers substantiating that their experience meets the requirements of Rule 11.5 and the Generally Accepted Accounting Standards. Alternatively, the applicant may acquire one year of U.S. public accounting experience or its equivalent, which meets the requirements of Rule 11.5 and the Accountancy Act;

- an amendment to section 67 to enable BOA to charge a fee for registration of a fictitious name; and

- an amendment to section 95.2, to include violations of Business and Professions Code section 5100(a)-(g) as bases for citations and fines. (See CRLR Vol. 10, No. 4 (Fall 1990) pp. 50-51 for background information on these changes.)

At its September meeting, the Board announced that it has decided to withdraw a proposed amendment to section 75.8, which currently provides that security for claims against an accountancy corporation by clients or others shall consist of a written agreement of the shareholders that they shall jointly and severally guarantee payment by the corporation of liabilities imposed upon it by law for damages arising out of all claims against it by its clients and others. The proposed amendment would have deleted the words "or others" from section 75.8, and required an executed original of the written agreement to be furnished to the Board.

### LEGISLATION:

The following is a status update on bills reported in detail in CRLR Vol. 11, No. 3 (Summer 1991) at page 57:

**AB 1783 (Speier).** As amended June 26, authorizes BOA's executive officer to request an administrative law judge, as part of any proposed decision in a disciplinary proceeding, to direct any holder of a permit or certificate found guilty of specified acts of unprofessional conduct to pay the Board all reasonable costs of investigation and prosecution of the case, including but not limited to attorneys' fees, except that the Board may not recover costs incurred at the administrative hearing. This bill was signed by the Governor on October 7 (Chapter 725, Statutes of 1991).

**AB 965 (Alpert).** Existing law authorizes BOA, until January 1, 1992, to enter into a contract with a nonprofit organization controlled by licensees of the Board to provide volunteer accounting services within the state. The maximum amount of the contract is not to exceed \$100,000 per year. As amended June 30, this bill reduces the maximum amount of the contract to \$65,000 per year, and extends the repealer date to January 1, 1995. This bill was signed by



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the Governor on October 5 (Chapter 577, Statutes of 1991).

**SB 869 (Boatwright)**, as amended April 30, would revise existing educational prerequisites for admission to the examination for a CPA certificate by, among other things, revising Business and Professions Code section 5081.1(a) to require 45 hours of instruction in a four-year institution in accounting, commercial law, economics, finance, and related business administration subjects and, effective January 1, 1997, 55 semester units in those subjects; providing for qualification by examination by BOA rather than by an agency approved by the U.S. Department of Education; and, as of January 1, 1997, requiring applicants for admission to the CPA exam to have completed at least 150 semester hours of education in a four-year institution and a baccalaureate or higher degree, or be a public accountant. This bill is pending in the Assembly Committee on Consumer Protection, Governmental Efficiency, and Economic Development.

**AB 1142 (Chacon)**, as amended July 1, would provide that licensees engaged in the practice of public accountancy shall display their Board licensee designation and other specified information in a manner determined by BOA to be appropriate. This bill is pending in the Senate Business and Professions Committee.

### RECENT MEETINGS:

At its August 1-3 meeting, the Board directed its president to appoint Board members to work with the Administrative Committee (AC) to formulate a recommendation to the Board regarding public disclosure of disciplinary actions. Recognizing its role as a consumer protection agency, the Board agreed that such disclosure would serve the consumer and that the use of the Department of Consumer Affairs' Public Information Office might increase the effectiveness of this effort.

Also in August, the QC reported that of the 4,200 licensure applicants recently considered, 76% had been approved, 22% deferred, and 2% rejected; during the previous five years, only 54% had been approved. QC Chair John Steinbeck noted that BOA's new Form E may be responsible for the increased acceptance rate. (See CRLR Vol. 11, No. 3 (Summer 1991) pp. 56-57; Vol. 10, No. 4 (Fall 1990) p. 50; and Vol. 10, Nos. 2 & 3 (Spring/Summer 1990) p. 64-65 for extensive background information on the Form E changes.)

At its September 27 meeting, the Board directed its staff to draft a letter to be included in the next Board newsletter informing all potential license applicants

to keep track of their experience documentation. The Board wants to minimize the problems created when employers lose or otherwise fail to maintain records of applicants' experience necessary to earn BOA certification.

Also in September, the AC reported that 72 complaints dating from 1988 or before remain outstanding; this number is down from the 106 reported at BOA's May meeting. Board President Ira Landis expressed concern about this high and persistent backlog. The Board urged that staff address this matter and offered to support the effort to bring complaint investigation up to date. The AC also reported that three completed citations with fines had been levied and that none of these actions were contested.

### FUTURE MEETINGS:

January 31-February 2 in San Francisco.

March 21 in Los Angeles.

May 15-16 in Los Angeles.

### BOARD OF ARCHITECTURAL EXAMINERS

*Executive Officer: Stephen P. Sands*  
(916) 445-3393

The Board of Architectural Examiners (BAE) was established by the legislature in 1901. BAE establishes minimum professional qualifications and performance standards for admission to and practice of the profession of architecture through its administration of the Architects Practice Act, Business and Professions Code section 5500 *et seq.* The Board's regulations are found in Division 2, Title 16 of the California Code of Regulations (CCR). Duties of the Board include administration of the Architect Registration Examination (ARE) of the National Council of Architectural Registration Boards (NCARB), and enforcement of the Board's statutes and regulations. To become licensed as an architect, a candidate must successfully complete a written and oral examination, and provide evidence of at least eight years of relevant education and experience. BAE is a ten-member body evenly divided between architects and public members. Three public members and the five architects are appointed by the Governor. The Senate Rules Committee and the Speaker of the Assembly each appoint a public member.

### MAJOR PROJECTS:

**Board Amends Reciprocity Regulation.** On August 27, BAE held a public hearing on its proposed amendments to section 121, Title 16 of the CCR, which

currently provides that a "candidate who is not a licensed architect and who has passed a written question examination prepared by the NCARB or divisions thereof in another American jurisdiction shall be entitled to receive board credit . . . for those examination sections or divisions as they correspond to the California architectural licensing examination sections." California presently administers NCARB's Architect Registration Examination (ARE), and the Committee of Canadian Architectural Councils has administered the ARE in Canada since 1984. However, no provision in BAE's regulations allows candidates to transfer ARE scores from Canada; therefore, BAE proposed to amend section 121 to so provide. At BAE's September 30 meeting, the Board adopted the proposed amendment, and hoped to submit the rulemaking record to the Office of Administrative Law during the first week in October.

**Board Seeks Budget Change Proposal.** At its September 30 meeting, the Board reviewed a budget change proposal (BCP) which has been approved by the Department of Consumer Affairs (DCA) and is currently pending approval by the Department of Finance. The BCP, which would provide the Board with an additional \$230,000 in fiscal year 1992-93, would enable BAE to microfilm all of its licensing and other vital records; the Board claims that this would be the most cost-effective and beneficial method of recovering its records following a disaster such as the 1989 Loma Prieta earthquake. According to the Board, this BCP was developed with the support of DCA, which may use the BCP as a prototype for its other boards to follow.

**Budget Report.** At its September 30 meeting, BAE discussed the fiscal impact of the state's 1991-92 budget on Board operations. The new budget requires a 5% salary cut for over 27,000 state supervisors, managers, and political appointees. In late September, Controller Gray Davis announced his refusal to enforce the pay cut. Thus, the Wilson administration petitioned for an injunction to require Davis to follow the law; Sacramento County Superior Court Judge James Ford was scheduled to hear the petition on October 9. The Wilson administration insists the pay cuts are necessary to avoid what could be large-scale lay-offs of state employees.

The Board also discussed the budget bill provision which will transfer all of BAE's special fund reserves in excess of three months' operating expenses to the state's general fund in order to help combat the state deficit. The Department of Consumer Affairs has estimated that the Board may lose approximately \$600,000